

## **Exhibit B**

Internal Revenue Service  
MEMORANDUM

date: September 19, 2002

to: Neil S. Regberg, Appeals Officer and ACI Coordinator for COLI

from: Joanne D. Miller, Appeals Officer

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subject: Fresenius Medical Care Holdings, Inc. (W.R. Grace & Co. Affiliated Group)

I recommend that Appeals settle the COLI issue pertaining to the W. R. Grace & Co. Affiliated Group by having the government concede 20% of the aggregate interest deduction claimed by the taxpayer on loans secured by COLI policies for all taxable periods prior to January 1, 1999, in accordance with the policy of the Appeals LBS Director. Notwithstanding the preceding sentence, the 20% limitation shall be applied to the reduced amount of interest otherwise deductible as described in P.L. 104-191 Section 501 as amended by P.L. 105-34, P.L. 105-206 and P.L. 105-277.

I also recommend that the taxpayer and the IRS sign a closing agreement in which the parties agree that no amount disallowed as an interest deduction, whether by reason of this closing agreement or any provision of the Internal Revenue Code, shall be allowable as a deduction under any provision of the Internal Revenue Code; nor shall that amount be allowed as an adjustment to the taxpayer's investment in the contract for purposes of section 72 of the Internal Revenue Code; nor shall any portion of the interest paid or accrued be allowed as an increase in the taxpayer's basis in these contracts or in any other asset in any year under any provision of the Internal Revenue Code.

I believe that my recommended settlement of the COLI interest deduction issue in this case is in accordance with Appeals' policy as set forth by the Director, Appeals LBS.

It should be noted that discussions are ongoing with the taxpayer concerning its possible termination of the COLI policies and it is possible that the terms of such termination may become a part of the final closing agreement. At this time, however, I am unable to make any recommendation concerning the resolution of any issues that may result from plan termination.

Because this case is subject to review of the Joint Committee on Taxation of the U. S. Congress, the Appeals Team Case Leader does not plan to sign the closing agreement until after the Joint Committee has had the opportunity to review the settlement.

*Joanne D. Miller*

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